



Hamilton County

BOARD OF COMMISSIONERS

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Office of Budget and Strategic Initiatives

Date: June 18, 2010

Subject: May 2010 Budget Projections

SUMMARY

- General fund revenues are projected \$2.2 million above the 2010 budget. This is the product of a number of revenue sources projected to come in over budget, notably sales tax revenue, or under budget, notably interest earnings and Clerk of Courts collections. Please note that the positive variance is also a product of a one-time revenue from the sale of county property as well as 2009 revenues received in 2010. Comments on each department are provided in the general fund revenue section of this report.
- General fund expenditures are projected \$888,000 under the 2010 budget. This is a result of nearly all departments projecting to come in under budget with a few exceptions, most notably the Prosecutor's office. It is anticipated that this overage will be addressed later in the year by using available balance within the Prosecutor's Delinquent Real Estate fund. The general fund is on track to meet the 2010 dashboard objective of maintaining 2010 general fund expenditures within 0.5% of originally appropriated funding level.
- The year-end general fund reserve is projected at \$19.6 million, or 9.3% of ongoing expenditures. This figure does not include the projected receipt of Delinquent Real Estate Fund resources from the Prosecutor's Office. This projected general fund reserve as well as the projected revenue and expenditure performance show that all economic triggers for mid-year salary adjustments have been met or exceeded.

INTRODUCTION

The following projections are based on actual activity from January through May 2010 as well as anticipated changes that will take place throughout the balance of the year.

The Office of Budget and Strategic Initiatives (BSI) will continue to closely monitor expenditures and revenues through the remainder of 2010.

GENERAL FUND REVENUE

General fund revenue projections are \$2.2 million¹, or one percentage point, above the 2010 budget.

Departments with substantial variances in budgeted revenues include the following:

- **Auditor** Revenue is projected to be \$3.1 million above budget, a \$1.46 million improvement from April projections. As the Auditor's office collections account for over 60% of general fund revenues, the budget office provides its projections by major revenue categories in the table below.

Table I – Auditor Revenue Projections, May 2010

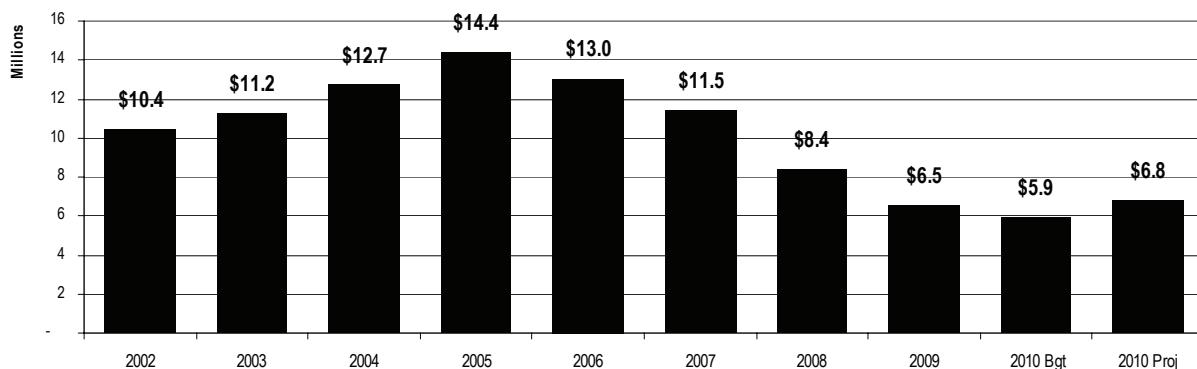
Revenue	Budget	Projection	Variance	% Variance
Sales Tax	57,560,000	59,000,000	1,440,000	2.5%
Local Government Fund	17,990,000	19,160,000	1,170,000	6.5%
Real Estate Transfers	5,910,500	6,762,000	851,500	14.4%
All Other Revenue	4,833,200	4,799,144	(34,056)	-0.7%
Property Tax	49,538,558	49,202,426	(336,132)	-0.7%
	135,832,258	138,923,570	3,091,312	2.3%

- **Sales Tax** For 2010 the budget office estimated sales tax at a decrease from 2009 projections by 9% in the first five months of the year, and 2% thereafter. Actual sales tax performance for the first six months of 2010 has exceeded budget by \$2.3 million; however sales tax collections are still 1.2% below the same period in 2009, with June being the first month to show growth over the previous year. While June collections increased 19.1% from June 2009, that month was a decrease of 14.0% from 2008. The remaining six months of 2010 are projected 5% below 2009 collections until there is a clear trend of sustained increased collections.
- **Local Government Fund** Local government fund revenue is projected \$1.2 million (6.5%) above budget due to better than anticipated performance in state tax collections. The revenue was budgeted at a 10% decrease from 2009 collections, but in the first five months, it has averaged a decrease of 3.9%. The remaining seven months now reflect an 8% decrease from 2009 and will continue to be revised upward if state revenue collections improve.

¹ Summary figures throughout the document may vary slightly from the sum of the detailed items due to rounding.

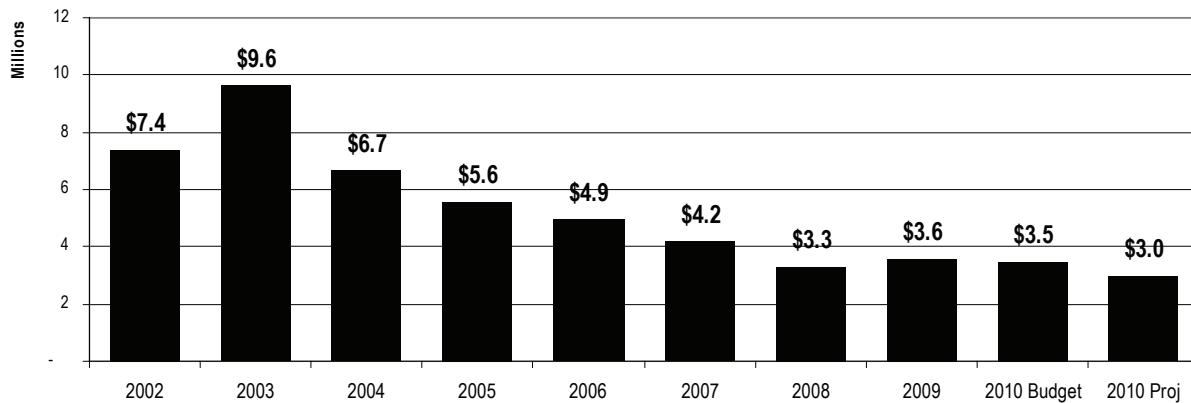
- **Real Estate Transfer and Conveyance Fees** Auditor transfer and conveyance fees were budgeted in 2010 at a decrease of 9.7% from 2009 collections. Actual 2010 collections have increased 32.5% from 2009 collections in the first five months. The budget office continues to project a 9.7% decrease for the remainder of the year due to the expiration of the federal new home buyer tax credit, resulting in total collections 3.3% above 2009, but 14.4% over 2010 budget. Should the market continue to maintain growth through the summer, the budget office will revise the projection upward.

Chart 1 – Transfer and Conveyance Fees, 2002-2010



- **Property Tax** The first-half real estate tax settlement suggests total collections at 0.7% below budget, resulting in the projected decrease of \$336,000 from budgeted collections. Other property tax reimbursements from the state are projected at the budgeted level, as there is no activity in the first five months.
- Other Auditor revenues are projected \$34,000 under budget due primarily to unusually low inheritance tax settlement fees.
- **Treasurer** Both budgeted and projected interest earnings follow Treasurer's office estimates, with a decrease of \$1.0 million from what the office recommended during the 2010 budget process. This shortfall is due to record low interest rates. The current projection reflects the Treasurer's office estimate released in its quarterly interest report.
- **Clerk of Courts** Revenues are projected \$622,000 below 2010 budget. The majority of the shortfall is attributed to Municipal – Criminal/Traffic collections.
- **Recorder** Recorder's office fees are \$322,000 below budget, the result of a decrease in the number of transactions. May collections are decreased 12.9% from 2009 collections. The budget office projection assumes a decrease of 13.1% for June-December. Chart 2 indicates that 2010 collections are projected at 31.3% of the county's peak year of 2003.

Chart 2 – Recorder Fees, 2002-2010



- **Building and Development** Revenue is projected \$506,000 over budget due to an additional reimbursement by MSD for 2009 consultant services and increased building permit activity.
- **County Facilities** Revenue is projected \$309,000 over budget due to \$400,000 of one-time revenue from the sale of the Breyer School property.
- **Sheriff** Revenue is projected at \$441,800 over budget largely due to Safety Plan fund reimbursements for vehicle purchases not envisioned in the adopted budget.

GENERAL FUND EXPENDITURES

General fund expenditures are projected to be \$888,000, or roughly four-tenths of a percentage point, under the 2010 budget.

Departments with substantial variances in budgeted expenses or potential issues include the following:

- **Court of Common Pleas** The Court is projected to be approximately \$500,000 under budget due to bids for the Court Management System support contracts coming in well under budget.
- **Public Defender** The Public Defender's budget is projected at budget. This projection does not take into account any additional 2010 department funding due to pending enhancements recommended by the State Public Defender Commission.
- **County Facilities** Expenditures are projected to be \$175,000 under budget due to personnel tracking under budget and utility cost savings.
- **Prosecutor** Expenditures are projected to be \$1,034,000 over budget due to personnel expenditures. It is anticipated this shortfall will be offset, partially or in full, by funding from the Prosecutor's Delinquent Real Estate fund. No offset has been included in the 2010 revenue projections or the general fund reserve calculation.

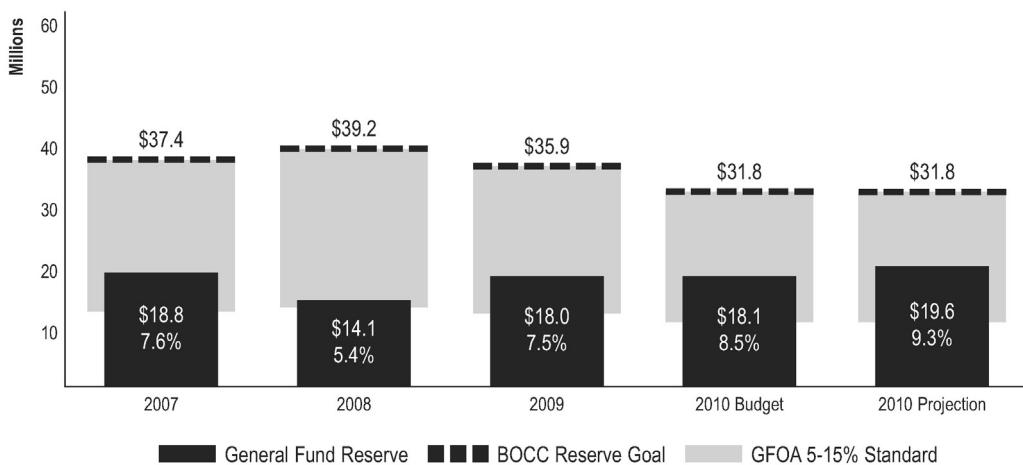
GENERAL FUND RESERVE BALANCE

The general fund is anticipated to end the year with a \$19.6 million fund reserve, a \$1.6 million increase from the 2009 year-end balance. This reserve would amount to 9.3% of ongoing expenditures toward the Commission goal of a 15% minimum fund reserve.

A major indicator of the county's fiscal health is the reserve maintained in the general fund. The Board of County Commissioners have adopted a fund reserve policy that calls for the county to strive to maintain a reserve balance of 15% of ongoing expenditures, and requires the budget to include a 0.5% contribution to reserves when the balance falls below 15%. A 15% reserve would require \$31.8 million in 2010. The 0.5% contribution to fund balance for 2010 would be \$1.1 million.

The Government Finance Officers Association (GFOA) "recommends, at a minimum, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than 5 to 15% of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures." For the county to meet GFOA standards, the minimum reserve range is approximately \$10.5 million to \$31.8 million using the 2010 approved budget as the base.

Chart 3 - Projected 2010 General Fund Reserve



ATTACHMENTS

- A. General Fund Revenue and Expenditures by Department
- B. General Fund Reserve Projection

Department	2010 Rev Budget	Proj Annual Rev	Rev Variance	2010 Appropriation	Leg Change	Proj Annual Exp	Exp Variance
Commissioners & County Admin	6,170,054	6,176,719	6,665	2,208,183	-	2,189,650	18,534
Economic Dev Department	62,887	62,887	-	1,228,947	-	1,226,209	2,738
County Facilities	1,820,282	2,129,679	309,397	20,369,552	(300,000)	19,893,712	175,840
Communications Center	72,900	68,009	(4,891)	2,903,154	-	2,691,433	211,721
Job and Family Services				1,312,688		1,312,171	517
Non-Departmentals	100,000	16,014	(83,986)	3,399,411	300,000	3,557,856	141,555
Contracts and Subsidies	260,000	259,403	(597)	1,147,568	-	1,147,568	-
Auditor	135,832,258	138,923,570	3,091,312	2,072,752	-	2,069,679	3,073
Treasurer	11,930,350	10,882,573	(1,047,777)	832,000	-	832,000	-
Recorder	3,450,000	3,127,697	(322,303)	1,682,664	-	1,682,332	332
Board of Elections	2,327,500	2,288,319	(39,181)	8,128,624	-	8,128,625	(0)
Human Resources	5,000	6,213	1,213	2,330,731	-	2,189,385	141,346
Building and Development	4,429,270	4,934,947	505,677	5,142,426	-	5,106,651	35,775
Sheriff	9,460,180	9,901,988	441,808	58,909,410	315,000	59,153,380	71,029
Prosecutor	2,089,145	2,044,219	(44,925)	10,548,145	-	11,582,641	(1,034,496)
Coroner	1,007,700	958,328	(49,372)	3,745,659	-	3,686,816	58,844
Emergency Management				454,000		454,000	-
Juvenile Court	10,244,011	10,363,830	119,819	20,651,237	-	20,441,428	209,809
Court of Appeals	100	281	181	58,439	-	55,066	3,373
Court of Common Pleas	65,488	51,738	(13,750)	7,580,444	-	7,080,981	499,463
Municipal Court	145,924	138,216	(7,708)	4,915,894	-	4,914,893	1,001
Court of Domestic Relations	422,500	399,856	(22,644)	3,694,122	-	3,658,503	35,619
Probate Court	1,228,000	1,204,227	(23,773)	2,782,124	-	2,739,486	42,638
Clerk of Courts	15,243,123	14,620,884	(622,238)	11,394,878	-	11,352,708	42,170
Public Defender	4,800,900	4,797,749	(3,151)	12,962,000	-	12,952,992	9,008
Court Reporters	3,000	795	(2,205)	2,491,395	-	2,428,191	63,204
Probation	369,471	398,505	29,034	6,461,583	-	6,429,628	31,955
County Engineer				571,508	-	571,507	1
Debt Service				10,237,525	-	10,237,525	-
Veterans Service Commission	213,000	213,000	-	1,527,272	-	1,403,940	123,332
IPAC						-	-
TOTAL	211,753,043	213,969,647	2,216,604	211,744,337	315,000	211,170,956	888,381

NOTES

A positive variance for revenue means revenues are projected to exceed budget.

A positive variance for expense means expenses are projected to come in under budget.

2010 General Fund Budget
Projected Reserve Balance - May 2010
(in thousands)

Cash balance 12/31/2008	\$26,080
Plus: 2009 revenues	222,162
Less: 2009 expenditures	(217,337)
Plus: Advances repaid	50
Cash balance, 12/31/2009	<hr/> \$30,955
Less: Encumbrances, 12/31/2009	(12,910)
Reserve balance, 12/31/2009	<hr/> \$18,045
Plus: 2010 projected revenue	213,970
Less: 2010 projected expenditures	(211,171)
Less: Transfer to sales tax fund	(1,200)
Projected reserve balance 12/31/2010	<hr/> \$19,644

Reserve Requirement

Total 2010 budgeted expenditures	\$211,744
Reserve requirement: 15% of ongoing expenditures	\$31,762
Reserve balance, 12/31/09 (7.5% of 2009 budget)	\$18,045
Budgeted reserve balance, 12/31/10 (8.5% of 2009 budget)	\$18,054
Projected reserve balance, 12/31/10 (9.3% of 2010 budget)	\$19,644

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